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February 18, 2009

AGENDA ITEM 8

**TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION
COMMITTEE**

- I. SUBJECT:** CalPERS' Appointee to the California Actuarial
Advisory Panel
- II. PROGRAM:** Actuarial Office
- III. RECOMMENDATION:**

Staff recommends that the Board of Administration appoint Ron Seeling, Chief Actuary, as the CalPERS representative to the California Actuarial Advisory Panel.

IV. ANALYSIS:

Senate Bill 1123 added Government Code Section 7507.2 that created the California Actuarial Advisory Panel to provide information on pensions, other postemployment benefits, and best practices to the Legislature, the Governor, public retirement systems, public agencies, and interested parties, as well as actuarial model policies and pricing and disclosure and quality control standards for public sector actuaries.

Background

Public Employee Post-Employment Benefits Commission

Governor Arnold Schwarzenegger signed an Executive Order in December 2006, to create a 12-member panel to identify financial liabilities that California's public agencies and school systems face in paying pension and health care benefits for retiring employees.

On January 7, 2008, the Commission issued its comprehensive report containing 34 recommendations divided into 8 groups that addressed the unfunded pension and retiree health care liabilities for California state and local governments.

One of the recommendations was to create an actuarial advisory panel. As a result, SB 1123 added Government Code Section 7507.2 that created the California Actuarial Advisory Panel. The panel will provide impartial and independent information on pensions, other postemployment benefits, and best practices to public agencies and will meet quarterly. The responsibilities of the California Actuarial Advisory Panel will include, but are not limited to:

1. Defining the range of actuarial model policies and best practices for public retirement plan benefits, including pensions and other postemployment benefits.
2. Developing pricing and disclosure standards for California public sector benefit improvements.
3. Developing quality control standards for California public sector actuaries.
4. Gathering model funding policies and practices.
5. Replying to policy questions from public retirement systems in California.
6. Providing comment upon request by public agencies.

The California Actuarial Advisory Panel will consist of eight members. Each member will be an actuary. Members will be appointed by the entities listed below, and each member will serve a three-year term, provided that, in the initial appointments only, the panelists named by the University of California, the Senate, and one of the panelists named by the Governor will serve two-year terms. The Governor will appoint two panelists, and one panelist will be appointed by each of the following:

1. The Teachers' Retirement Board.
2. The Board of Administration of the Public Employees' Retirement System.
3. The State Association of County Retirement Systems.
4. The Board of Regents of the University of California.
5. The Speaker of the Assembly.
6. The Senate Committee on Rules.

The California Actuarial Advisory Panel will be located in the Controller's office, which will provide support staff to the panel. The opinions of the California Actuarial Advisory Panel are nonbinding and advisory only. The opinions of the panel will not, in any case, be used as the basis for litigation. A member of the California Actuarial Advisory Panel will receive reimbursement for expenses that will be paid by the authority that appointed the member. The California Actuarial Advisory Panel will report to the Legislature on or before February 1 of each year.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial & Employer Services Division.

David Clement,
Senior Pension Actuary
Actuarial Office

Ron Seeling, Chief Actuary
Actuarial & Employer Services Branch

